



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
BOONE COUNTY SHERIFF**

Calendar Year 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
BOONE COUNTY SHERIFF

Calendar Year 2000

The Auditor of Public Accounts has completed the Boone County Sheriff's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$15,911 from the prior calendar year, resulting in a cash surplus of \$359,866 as of December 31, 2000. Revenues increased by \$694,702 from the prior year and disbursements increased by \$678,791.

Report Comment:

- Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

Additional Bank Accounts of Boone County Sheriff:

The Sheriff also maintains the following bank accounts:

- Informant Account - This account consists of money obtained through drug forfeitures and seizures. The balance as of December 31, 2000 was \$15.
- Equipment Account - This account consists of money received from Sheriff's sales and court judgments. This money is to be used for equipment. The balance as of December 31, 2000 was \$6,601.
- Federal Shared Proceeds Account - This account consists of money received from the Federal Government for various cases. It is to be used for employee training. The balance as of December 31, 2000 was \$104.
- Federal Forfeitures Account - This was a new account set up by the Sheriff in calendar year 2000 and consists of money received from the Federal Government for various cases involving one Sheriff Deputy working for the DEA. It is to be used for equipment and employee training. The balance as of December 31, 2000 was \$5,268.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Honorable Michael A. Helmig, Boone County Sheriff
Members of the Boone County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Boone County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Gary W. Moore, County Judge/Executive
Honorable Michael A. Helmig, Boone County Sheriff
Members of the Boone County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2002, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following reportable condition:

- Lacks Adequate Segregation Of Duties

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 25, 2002

BOONE COUNTY
MICHAEL A. HELMIG, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

Federal Grants		\$	319,492
Federal Fees For Services:			8,838
Department of Justice			
State Grants			107,579
State Fees For Services:			
Finance and Administration Cabinet	\$	89,906	
Cabinet For Human Resources		867	90,773
Circuit Court Clerk:			
Sheriff Security Service	\$	77,211	
Fines and Fees Collected		9,570	
Court Ordered Payments		6,970	93,751
County Clerk - Delinquent Taxes			5,068
Commission On Taxes Collected			1,830,177
Fees Collected For Services:			
Auto Inspections	\$	65,217	
Accident and Police Reports		18	
Serving Papers		81,622	146,857
Other:			
Carrying Concealed Deadly Weapon Permits	\$	32,900	
Advertising Fees		9,970	
Employee Share Health Insurance		11,455	
Late Tax and Penalty Fees		134,164	
Miscellaneous		1,828	190,317
Interest Earned			56,519
Borrowed Money:			
State Advancement	\$	300,000	
Fiscal Court Advancement		534,600	834,600
Gross Receipts		\$	3,683,971

BOONE COUNTY
MICHAEL A. HELMIG, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2000
(Continued)

Disbursements

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$ 1,034,961	
KLEFPF Salaries	93,830	
Cops In Schools Salaries	112,581	
Cops Universal Hiring Salaries	109,015	
Clerks' Salaries	131,729	
Part-Time Salaries	<u>84,566</u>	\$ 1,566,682

Employee Benefits-

Employer's Share Social Security	\$ 113,735	
Employer's Share Retirement	9,213	
Employer's Share Hazardous Duty Retirement	250,111	
Employer Paid Health Insurance	<u>176,820</u>	549,879

Contracted Services-

Advertising	\$ 7,276	
Attorney Retainer	<u>3,600</u>	10,876

Materials and Supplies-

Office Materials and Supplies	\$ 10,305	
Deputy Expenses	17,201	
Data Processing	<u>5,866</u>	33,372

Auto Expense-

Gasoline		100,713
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Other Charges-

Dues	\$ 3,895	
Postage	14,157	
Carrying Concealed Deadly Weapon Permits	22,960	
Transporting Prisoners	66,667	
Equipment	37,897	
Miscellaneous	<u>8,961</u>	\$ 154,537

Debt Service:

State Advancement	\$ 300,000	
Fiscal Court Advancement	<u>534,600</u>	<u>834,600</u>

Total Disbursements		<u>\$ 3,250,659</u>
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BOONE COUNTY
MICHAEL A. HELMIG, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2000
(Continued)

Net Receipts	\$ 433,312
Less: Statutory Maximum	<u>73,426</u>
Excess Fees Due County for Calendar Year 2000	\$ 359,886
Payments to County Treasurer - January 17, 2001	<u>359,919</u>
Refund Due Sheriff	<u><u>\$ (33)</u></u>

The accompanying notes are an integral part of the financial statement.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2000
(Continued)

Note 2. Employee Retirement System (Continued)

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Additional Bank Accounts of Boone County Sheriff

The Sheriff also maintains the following bank accounts:

- A. Informant Account – This account consists of money obtained through drug forfeitures and seizures. During the calendar year 2000, the account had a beginning balance of \$14, receipts of \$101, expenditures of \$100, and balance as of December 31, 2000 was \$15.
- B. Equipment Account – This account consists of money received from Sheriff's sales and court judgments. This money is to be used for equipment. During calendar year 2000, the account had a beginning balance of \$205, receipts of \$23,291, expenditures of \$16,895, and a balance as of December 31, 2000 of \$6,601.
- C. Federal Shared Proceeds Account – This account consists of money received from the Federal Government for various cases. It is to be used for employee training. During the calendar year 2000, the account had a beginning balance of \$102, receipts of \$2, no expenditures, and a balance as of December 31, 2000 of \$104.
- D. Federal Forfeitures Account – This was a new account set up by the Sheriff in calendar year 2000 and consists of money received from the Federal Government for various cases involving one Sheriff Deputy working for the DEA. It is to be used for equipment and employee training. During the calendar year 2000, the account had a beginning balance of \$376, receipts of \$52,866, expenditures of \$47,974, and a balance as of December 31, 2000 of \$5,268.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2000
(Continued)

Note 5. Health Insurance Premiums

KRS 61.405 allows county fee officials to purchase twelve (12) months of health insurance coverage for their employees, if excess fees are available. Therefore, the expenditures are allowable. The Sheriff expended \$176,820 on health insurance for his office. The Attorney General has issued opinion 92-108, which claims the statute is unconstitutional and discriminatory. The Attorney General also issued OAG 94-11 on February 25, 1994, stating health or medical insurance provided uniquely for an official and not in connection with a government program providing benefits to all county employees would be personal in nature.

Note 6. Subsequent Events

On April 3, 2001, the Boone County Fiscal Court adopted Resolution No. 01-55, approving the merger of the Boone County Police Department into the Boone County Sheriff's Department. The merger, which was effective on July 1, 2001, was formed to "improve efficiency and to increase services to the residents of Boone County".

On September 30, 2001, the City of Walton entered into an agreement with the Boone County Sheriff and the Boone County Fiscal Court. This agreement, which was effective October 1, 2001, was designed to merge the City of Walton's Police Department into the Boone County Sheriff's Department.

As a result of the mergers, estimated revenues and expenditures for a calendar year are expected to increase by approximately 60%.

COMMENT AND RECOMMENDATION

BOONE COUNTY
MICHAEL A. HELMIG, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

Calendar Year 2000

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

Lacks Adequate Segregation Of Duties

We noted the lack of an adequate segregation of duties for the internal control structure and its operation that in our judgement is a reportable condition under standards established by the American Institute of Certified Public Accountants. Due to the entity's diversity of official operations, small size, and budget restrictions, the office has limited options for establishing an adequate segregation of duties. Management has considered and rejected additional cost when setting budget limits on spending for salaries and therefore accepts the degree of risk for a lack of an adequate segregation of duties. However, the Auditor of Public Accounts has judged the lack of an adequate segregation of duties as a reportable condition. We recommend the Sheriff employ the use of other deputies within his office to assist the bookkeeper which would be compensating controls.

County Sheriff's Response:

None.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Boone County Sheriff for the year ended December 31, 2000, and have issued our report thereon dated January 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Boone County Sheriff's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boone County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 25, 2002

